

UNCLASSIFIED

Iraq

Status Report

September 1, 2010



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS

- **Obama Marks End of Operation Iraqi Freedom in White House Speech (*DIPLOMATIC*, page 4)**
- **Iraqiya Claims Agreement Has Been Reached with INA (*POLITICAL*, page 6)**
- **AQI Attacks Claim over 50 Lives (*SECURITY*, page 11)**
- **New Dairy and Cement Factories Open in Iraq (*ECONOMIC*, page 18)**

DIPLOMATIC – Political Engagement



Normalization of U.S.-Iraqi relations continues

Obama Marks End of Operation Iraqi Freedom in White House Speech:

- **President Obama declared on August 31 that U.S. combat operations in Iraq had come to an end, telling the nation that he was fulfilling his campaign pledge to stop a war he had opposed from the start. "Tonight, I am announcing that the American combat mission in Iraq has ended," Obama said in his second prime-time address from the Oval Office. He heralded his belief "that out of the ashes of war, a new beginning could be born in this cradle of civilization," and said that the U.S. has met its responsibility and now it is time to "turn the page." Some 47,500 armed U.S. military personnel remain in Iraq, including about 20,000 assigned to advise and accompany Iraqi soldiers and police on security missions.**

James Jeffrey Delivers First Speech as U.S. Ambassador to Iraq:

- **Iraq has made extraordinary progress, but faces continued problems that pose risks to US strategic interests as the country grapples with forming a new government, U.S. Ambassador to Iraq James Jeffrey said in his first public remarks since arriving in Baghdad. "This is still a tough neighborhood. It's still a country with extraordinary problems but it's also a country that's made a lot of progress...we hope we will be able to continue the kind of deep broad political, energy, rule of law, educational, security and economic and trade relationship with this country that we have throughout the entire Middle East," Jeffrey said.**

DIPLOMATIC – Economic Engagement



Iraq works to strengthen regional relations

Kuwait and Iraq Agree to Joint Operation of Border Oilfields:

- **Kuwait and Iraq have agreed in principle to share oil produced from border oilfields, in part to avoid “over-utilizing” the fields. Kuwait has already signed an agreement that stipulates that activity will be conducted by a unified international oil company that will “drill at the same time, for the same field.” A Kuwaiti official expects that Iraq will sign the agreement within the next two weeks.**



POLITICAL – Governance & Legislation

Government formation negotiations continue

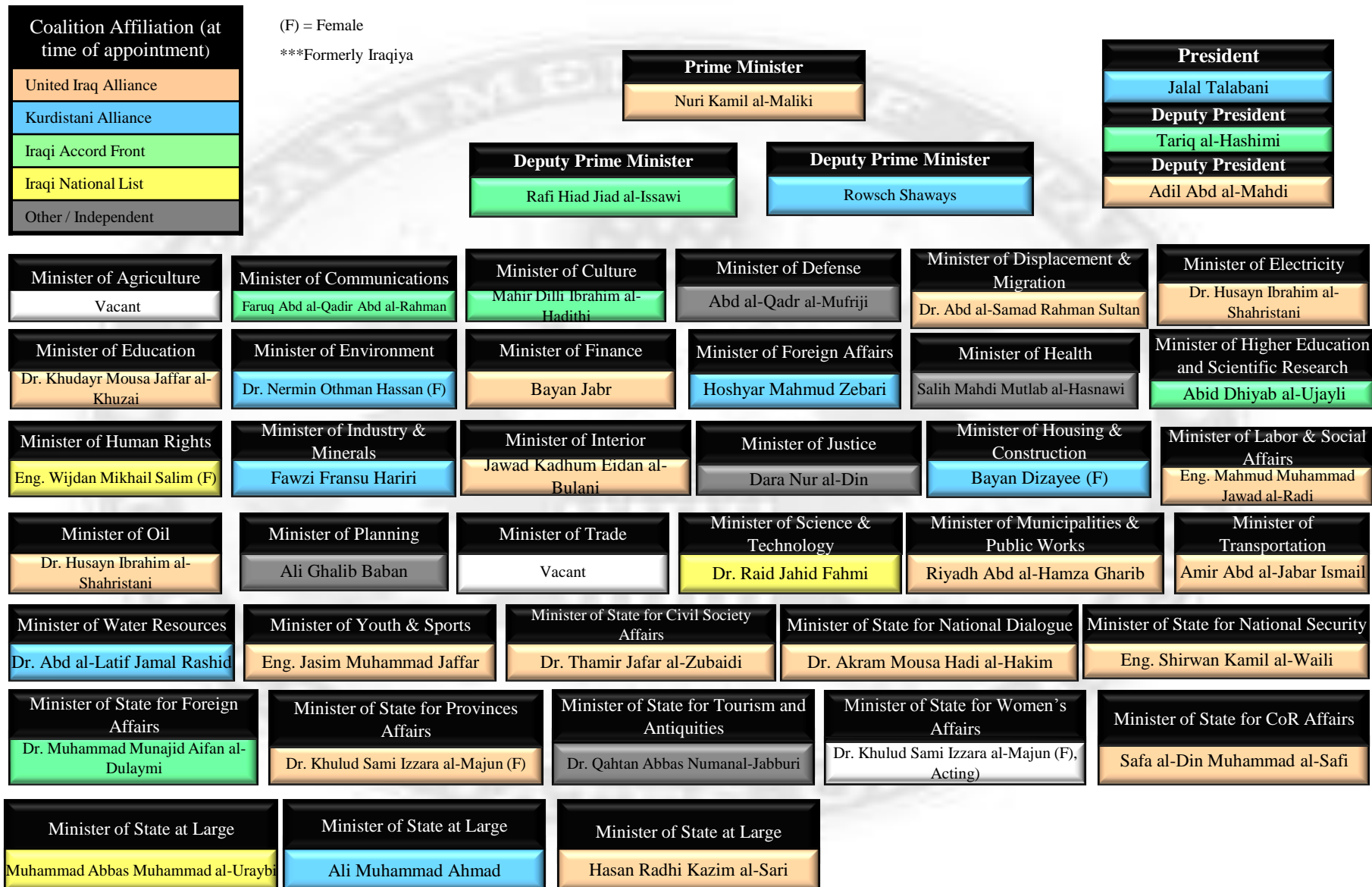
Iraqiya Claims Agreement Has Been Reached with INA:

- A power-sharing agreement has reportedly been reached between Iraqiya and the Iraqi National Alliance (INA). “Iraqiya has proposed this project that has been approved by both the Supreme Islamic Iraqi Council and the Sadr movement,” according to an Iraqiya member. The Iraqiya member explained that dividing power does not mean that Iyad Allawi (Iraqiya) and Adel Abd al-Mahdi (INA) will each hold the premiership position for two years, but the proposed plan entails a distribution of authority between them.

Maliki and Talibani Meet to Discuss Government Formation:

- A bilateral meeting on August 30 between Iraqi President Jalal Talabani and Prime Minister Nuri al-Maliki focused on government formation, according to a statement posted on the Iraqi presidential website. Both Talabani and Maliki emphasized the importance of an inclusive government. Maliki also noted, “We have studied all developments, which I believe have reached the end on the course of the formation of a government of genuine national partnership that will be able to carry out its missions in the construction of the State.” Maliki finished by noting that “the forthcoming few days shall witness the activation of agreements among all.”

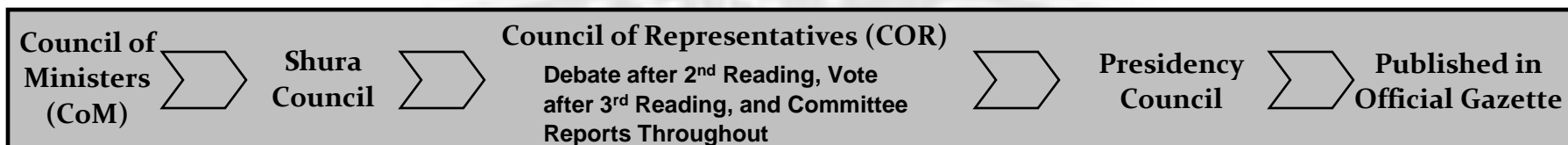
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law, approved March 3, will regulate the operations and funding of Non-Governmental Organizations operating within Iraq.

POLITICAL – Refugee Update

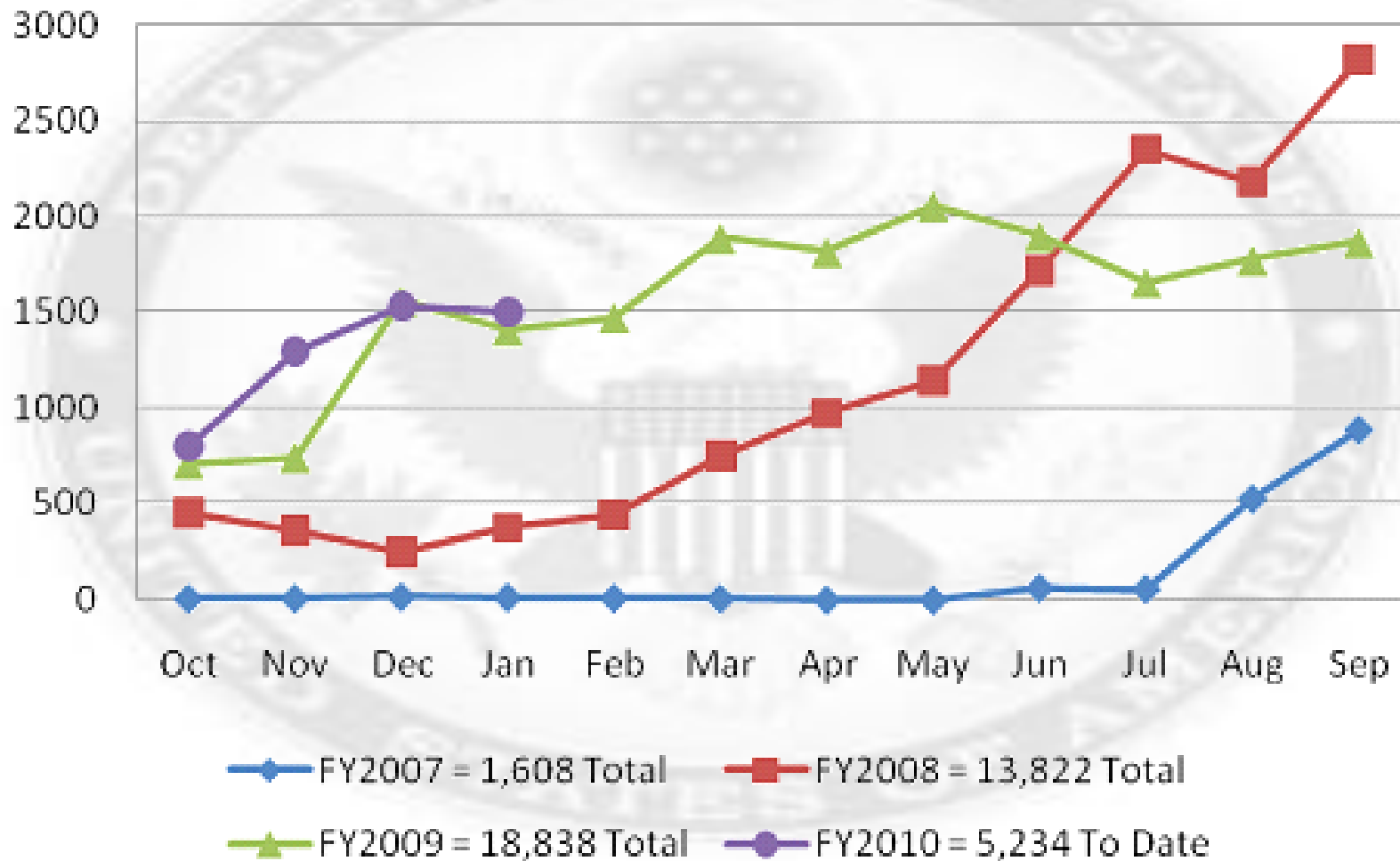


- **There are almost 229,000 Iraqi refugees currently registered with the UN High Commissioner for Refugees (UNHCR) in neighboring countries and an undetermined number of unregistered refugees. UNHCR reports that 1.5 million Iraqis remain internally displaced due to sectarian violence following the Samarra Mosque bombing of February 2006.**
- **Since the beginning of 2008, some 464,000 Iraqis have returned to their neighborhoods in Iraq. The majority of the Iraqis returning were internally displaced persons.**
- **In FY09, the U.S. Government contributed \$387 million to international and non-governmental organizations to assist Iraqi refugees, internally displaced, and conflict victims.**
- **Since the program's inception in FY07, 50,089 Iraqi refugees have been admitted to the U.S. for resettlement.**
- **As of September 2009, a total of 1,143 Special Immigrant Visas (SIVs) have been issued for Iraqi translators and interpreters (and their dependents) since FY07 (under the Section 1059 program).**
- **As of September 2009, a total of 1,716 SIVs have been issued for Iraqis employed by the U.S. government (and their dependents) since FY08 (under the Section 1244 program).**

POLITICAL – Refugee Update



Iraqi Admissions to the U.S.



SECURITY – Situation Update



Al-Qaida continues destabilization efforts as Iraqi security officials call for new initiatives

AQI Attacks Claim over 50 Lives:

- **A series of coordinated attacks on August 25 targeting Iraqi local government and police forces across the country left over 50 people dead. An August 28 statement issued on the website of Al-Qaida in Iraq's (AQI) front group, Islamic State of Iraq, claimed responsibility for the series of car bombings, armed assaults, and IED attacks. On August 27, Prime Minister Maliki put Iraqi Security Forces on high alert and called on the Iraqi public to cooperate with the GOI to prevent further attacks.**

SECURITY – Situation Update



Al-Qaida continues destabilization efforts as Iraqi security officials call for new initiatives

Interior Ministry Official Calls for Improvements to Iraqi Intelligence Agencies:

- In an interview on August 28, Deputy Interior Minister Ahmed al-Khafaji told Reuters that Iraq has a sufficient number of security forces and weaponry, but is in need of a more functional intelligence community. Arguing the next phase in securing Iraq will be an “intelligence battle,” Khafaji said a major shortfall is that intelligence is not always getting to Iraqi forces. Khafaji also emphasized that Iraq needs to work with its neighbors and improve relations in order to deal with insurgents crossing into the country through shared borders.

Iraqi Police Official Requests Activation of Oil Trafficking Law:

- Iraq’s chief of oil police, General Hamed Abdullah, called on the Higher Judicial Council to activate a special law regarding oil trafficking. The General cited significant economic loss due to sabotage acts on oil facilities and pipelines. According to his statement, the police force is in need of more personnel and has found it necessary to employ private security guards.

ECONOMIC – Oil



Crude oil average closing prices

\$USD/Barrel

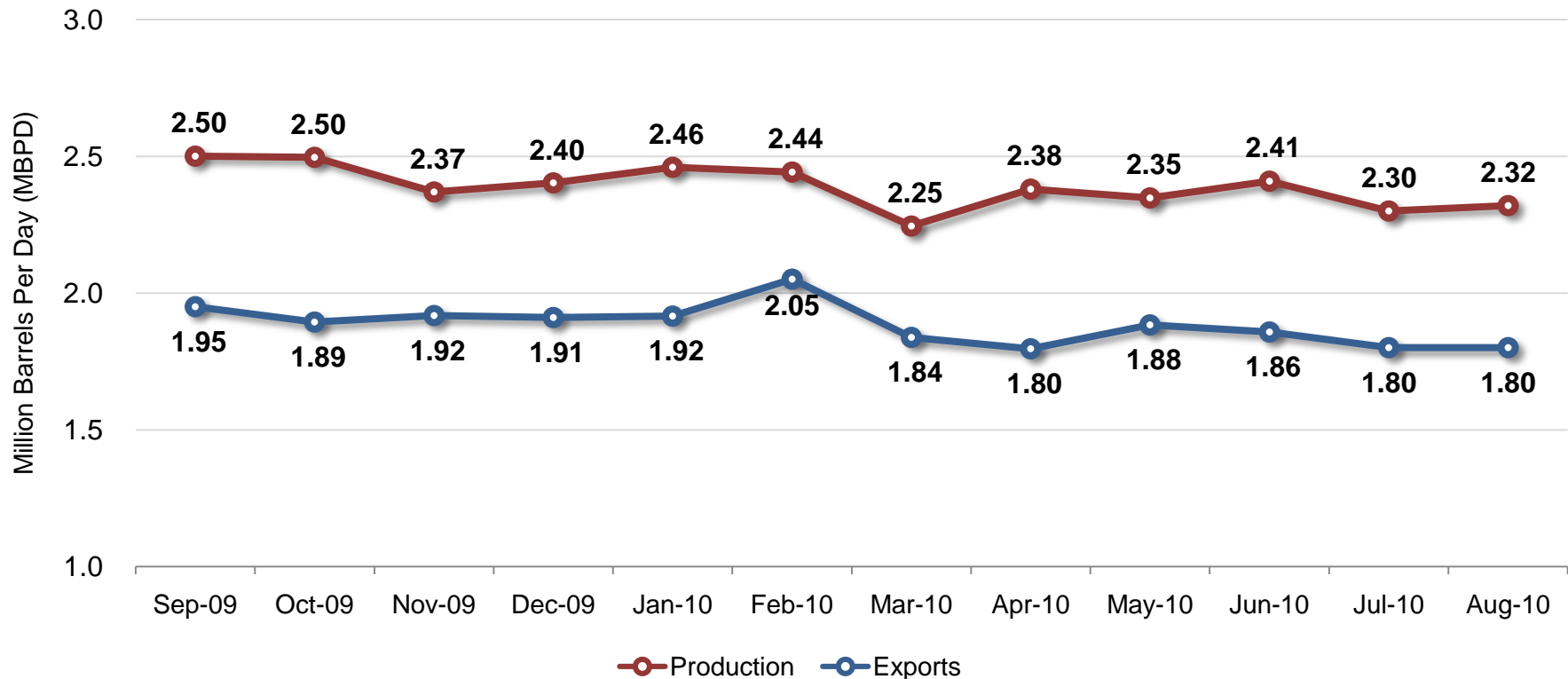
Basrah Light: \$71.69

Dated Brent: \$73.59

WTI Cushing: \$72.87

Oman/Dubai: \$71.49

Iraq Crude Oil Production and Exports



Iraq's Oil Revenue

2008: \$61.9 Billion

2009: \$39.2 Billion

2010 (ytd estimate): \$34 Billion

ECONOMIC – Oil



KRG signs gas deal with RWE; Baghdad deems deal “illegal”

Baghdad Deems New KRG Deal “Illegal”:

- **On August 27, German company RWE signed an agreement with the KRG to develop gas resources in northern Iraq with a long-term goal of obtaining gas supplies for its Nabucco pipeline project. The deal would pump up to 20 billion cubic meters of gas into the pipeline, which exports supplies to Turkey and throughout Europe. KRG Minister of Natural Resources Ashti Hawrami said that gas reserves in the Kurdistan region are an ideal energy source for the European gas market. In response, the Ministry of Oil released a statement on August 29 calling the deal “illegal” for failing to exist via “valid and legal Iraqi channels.” The KRG then released a counterstatement emphasizing that it will continue with independent deal-making in order to provide energy services for its people in a timely manner.**

ECONOMIC – Fiscal and Monetary Affairs

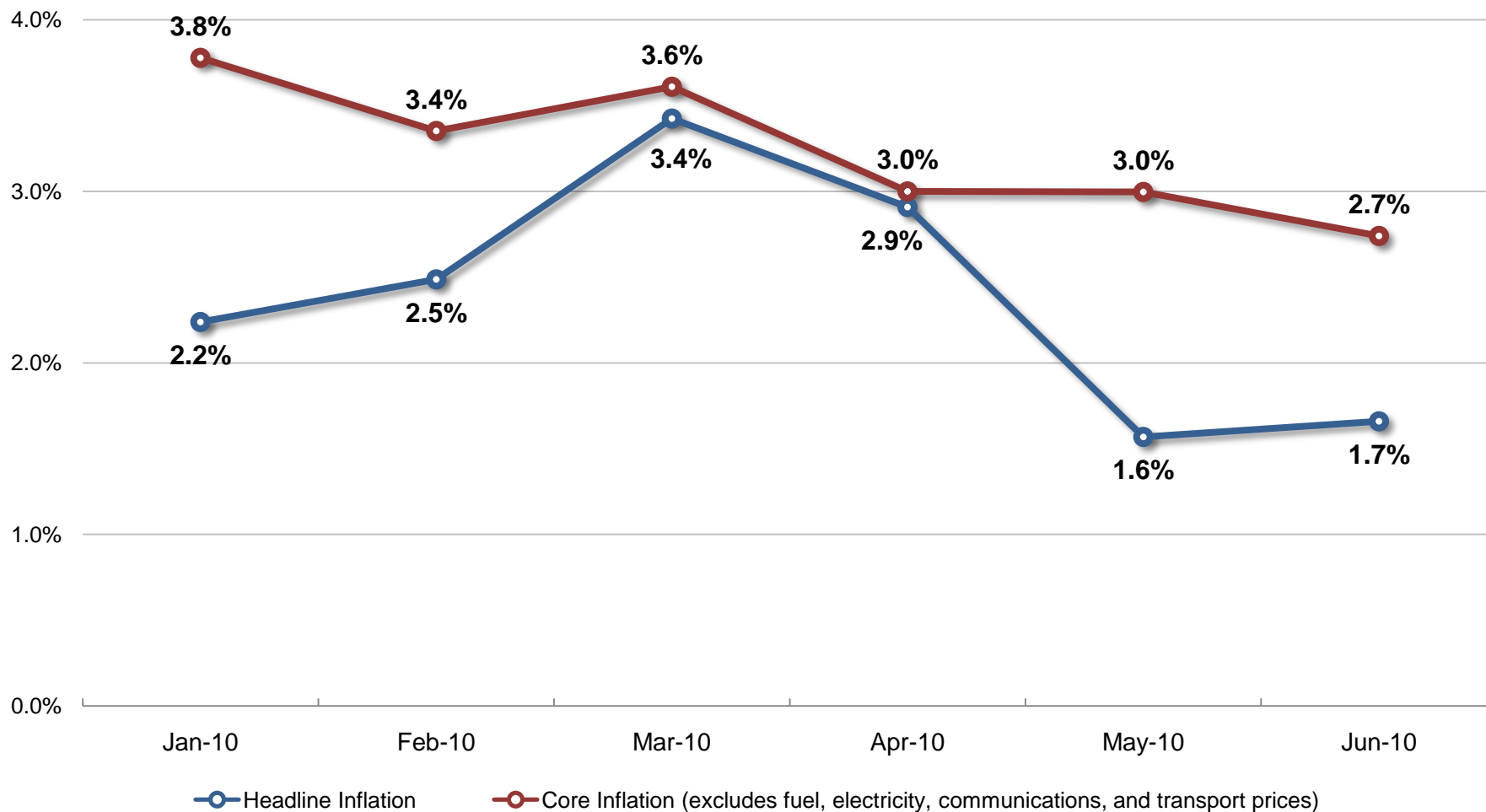


Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Debt Swap Bond Prices and Yields				
Price (USD)	\$87.23	\$87.18	\$83.15	\$64.50
Yield	7.09%	7.09%	7.55%	10.32%

ECONOMIC – Fiscal and Monetary Affairs



Iraq: Year-on-Year Inflation

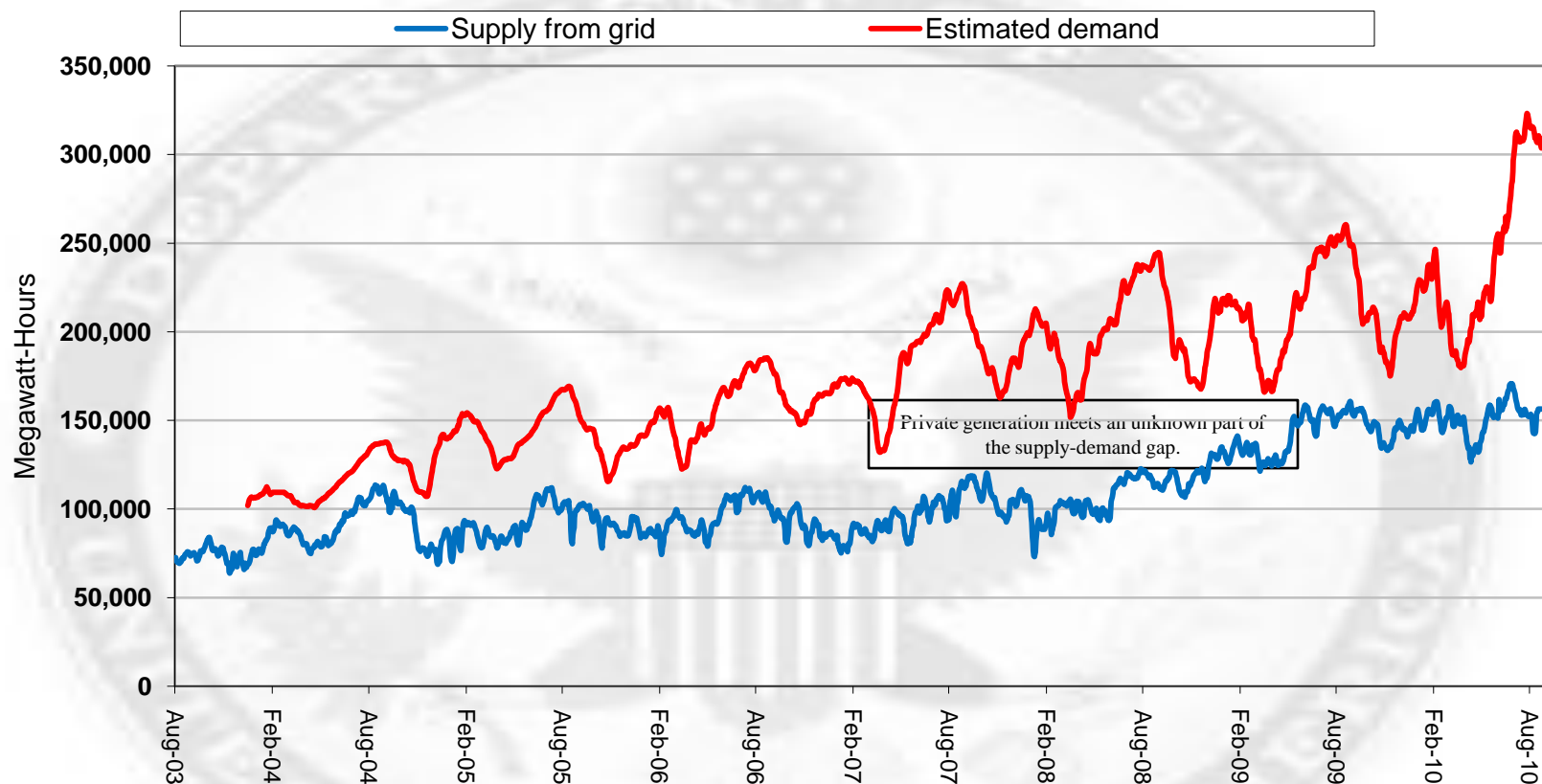


- In 2010, the Central Bank of Iraq began using a new Consumer Price Index. As a result, year-on-year inflation data prior to January 2010 cannot be directly compared.

Public Services – Electricity



Daily Electricity Supply from the Grid and Estimated Daily Demand



- Electricity supply from the grid August 23-29 was 1% below the same period in 2009 and met 52% of estimated demand compared with 62% for the year-earlier period.
- August 28 estimated daily demand dropped below 300,000 MWh for the first time since early July. By comparison, the highest one-day figure for 2009 was 265,000 MWh.

ECONOMIC – Industry Spotlight: Factories



New factories create jobs, food products, and building materials for Iraqis

New Dairy and Cement Factories Open in Iraq:

- Iranian private sector investors have established Iran's first dairy production factory in Baghdad. The factory, which cost \$3 million, produces 50 tons of dairy products daily and employs 33 Iraqi workers. The factory will distribute products mainly to Najaf, Karbala, Sulaymaniya, Erbil, and Baghdad. Meanwhile in Muthanna, Chinese workers have begun construction on the first cement plant in the province. The plant, funded by an Iraqi investor, will cost \$270 million and will produce 3,200 tons of cement per year.

ECONOMIC – Private Sector



Local and international firms invest in development projects

Roads Will Provide Citizens Easier Mobility Throughout Karbala:

- **Local firms have begun work to pave five roads in the rural areas of al-Hindiya, near Karbala. The strategically-placed roads will help to link remote towns and villages to the main city, providing citizens with greater mobility. The 2.71 billion dinar cost of the six-month project is being funded as part of the Iraqi provincial development budget.**

New Investment Projects Focus on Parks and Construction:

- **A UAE-based company has agreed to implement two major development projects in Karbala, according to the chairman of the Karbala Council. The company will construct a commercial mall and a residential compound, and has also expressed interest in working on tourist and hotel projects in Karbala in the future. The Baghdad Investment Commission has approved an additional two investment projects in the capital at a total cost of more than \$3 million. Under the investment permissions, a British firm will construct a park in Baghdad for \$2 million, while an Egyptian firm will construct a facility to house heavy-duty equipment for a cost of \$1.2 million.**

Baghdad and Beyond



USAID-Mustaqbal Initiative Opening

Basrah

Maysan

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

The USAID-Mustaqbal Iraqi Youth Initiative opened its first Youth Entrepreneurship Resource Center in Basrah, inside the Basrah Business Information Center (BBIC). Designed to provide business skills training, apprenticeships, and microfinance loans to young Iraqis between the ages of 18 and 35, the initiative is funded with a \$12 million grant from the U.S. Ambassador's Targeted Development Program. The opening ceremony was attended by over 100 people, and included introductions of six recipients of microfinance loans from Basrah's Izdiharona Microfinance Institution.

Working in partnership, the Maysan PRT, the U.S. Army, and officials from the Shattil Aa'ma Medical Clinic installed a \$12,000 transformer at the Medical Clinic in Musharrah. The transformer project will bring a more reliable power supply to the clinic and allow medical staff there to better assist patients. The clinic currently provides medical care for many of the 20,000 residents in the surrounding rural areas and specializes in natal and pediatric care. The new transformer will also ensure a more consistent power supply for the adjacent village.



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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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